

Minnesota Housing's Proposed Homeowner Assistance Fund (HAF) Program Concept

The HAF program was established to mitigate financial hardships associated with the coronavirus pandemic by providing funds to eligible entities for the purposes of preventing homeowner mortgage delinquencies, defaults, foreclosures, and displacements of homeowners experiencing financial hardship after January 21, 2020. The U.S. Department of Treasury requires approval of Minnesota Housing's HAF plan before the program can become operational in the state. The program must operate in line with federal requirements. The priorities and processes set out in this program concept meet the requirements of the federal funds, but also reflect data driven policy choices to reach impacted homeowners in Minnesota. This program concept outlines key program design features of Minnesota's HAF, or HomeHelpMN, program. Minnesota Housing has named the program HomeHelpMN as a companion to RentHelpMN, Minnesota's Emergency Rental Assistance Program. Six principles guide the recommended HomeHelpMN program concept and plan:

- **Human Centered:** Uses strategies that build empathy and understanding to serve homeowners that might otherwise be left behind – geography, ability, language and those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities.
- **Anti-racist:** Uses intentional race equity strategies in design and delivery to actively dismantle structures that perpetuate disparities to achieve equitable outcomes.
- **Focused:** Is focused on mitigating homeowner displacement due to financial hardship associated with the coronavirus pandemic.
- **Straightforward:** Minimizes stress, complexity, and uncertainty throughout the process for the customer.
- **Accountable:** The program structure is transparent, timely, flexible, and administered in accordance with federal guidelines to ensure program accountability and integrity.
- **Meaningful Engagement:** Engages trusted critical partners, organizations led by and working for communities most impacted to realize equitable outcomes.

Engagement Driven Program Design Recommendations

Minnesota Housing conducted several forms of community and stakeholder engagement in the development of the proposed HomeHelpMN program. We received over 316 responses to our engagement survey. The responses indicated that respondents had a slight preference for serving homeowners most at risk of displacement with a larger subsidy over serving more homeowners with a smaller amount of assistance. Reinstating mortgages and paying off past-due property taxes and homeowner insurance payments were the top two assistance priorities identified by survey respondents.

As a result of this, the HomeHelpMN program concept balances both by including eligible expenses for borrowers with reinstatement needs; those in need of financial assistance to cure delinquent taxes, insurance, homeowner's association fees, or manufactured lot rent; and also seeks to support homeowners who may need additional financial support in the form of a loan modification.

We conducted direct meetings with the Minnesota Department of Commerce, the Minnesota Indian Affairs Council, the Minnesota Council on Latino Affairs, the Council for Minnesotans of African Heritage, and the Minnesota Council on Disability. As a result of these discussions, households in need of utility assistance and weatherization should request assistance from the Minnesota Department of Commerce, as utility assistance and home repair will be ineligible under HomeHelpMN to leverage other available funding sources for those needs.

We conducted two large-scale engagement sessions to solicit broader community feedback. One session focused on housing partners and the other was with homeowners so they could provide input in the program design. Key themes and recommendations from these sessions include the following:

- Marketing and outreach efforts should not only create program awareness and build trust, they should educate homeowners about situations that might put them at risk of foreclosure (e.g. homeowner association dues was specifically mentioned) and options to address those situations.
- In addition to social media and online promotions, marketing efforts should include radio spots and printed materials (flyers and posters) posted at frequently visited locations (faith communities, libraries, community centers etc.). Translations should be timed so they are ready upon program launch. The tone of the marketing should include messages that motivate homeowners to take action and seek this assistance.
- Participants highly recommended relying on housing counselors to provide application assistance and information about HomeHelpMN funds. Engagement participants emphasized the need for frequent and regular communication to the general public about the program including details such as consistently updated FAQs, program guidelines, estimated timelines, and where to go with questions.
- To minimize barriers raised by documentation requirements, participants advocated for maximum flexibility and keeping documentation requirements to the minimum required by federal guidance. Participants advocated for strategies to ensure that the program is equitably accessed by Black and Indigenous households and households of color. Without specific strategies and targeting, there was concern that white homeowners would be able to more quickly access and exhaust the funds. A recommended equity strategy was funding community-based organizations by and for communities that are disproportionately experiencing financial impacts.

- Participants were concerned about the gap between the timing of the HomeHelpMN launch and the end of forbearance period or no forbearance being available. They emphasized the importance of efforts to connect struggling homeowners with foreclosure prevention counselors “now.”

To inform program design we also met with servicers, technology vendors, FHA (Federal Housing Administration), USDA RD (United States Department of Agriculture Rural Development), VA (U.S. Department of Veterans Affairs), and statewide housing organizations. Treasury encourages prioritizing assistance to borrowers who have FHA, USDA RD and VA mortgages and borrowers who have mortgages from Minnesota Housing made with the proceeds of mortgage revenue bonds or other Minnesota Housing resources. We will prioritize working with loan servicers with a large share of such borrowers in their portfolio.

Estimated Size and Scope of Need

Using data from Black Knight (Black Knight Data & Analytics, LLC), the Mortgage Bankers Association (National Delinquency Survey), the Census Bureau (American Community Survey and Pulse Survey), county tax departments, and other sources, Minnesota Housing estimates that roughly 60,000 homeowner households in Minnesota are currently behind on their mortgage payments and may need assistance to support a mortgage reinstatement. These borrowers range from one day to over a year behind. Reinstatement would cover mortgage payment arrears for borrowers who have demonstrated ability to make their monthly mortgage payment obligations going forward. Many of these households may also need assistance with property taxes, homeowner insurance, homeowner association fees, late fees, manufactured home lot rents, and other housing-related payments.

There are also an estimated 10,000 homeowners without a mortgage who are behind on taxes, insurance and other housing payments.

While difficult to estimate, a range of households may need a loan modification, which results in a change to the original mortgage terms. According to data from the Minnesota Homeownership Center, in 2010, during the height of the foreclosure crisis, 32% of people avoiding foreclosure through foreclosure counseling received a loan modification. In 2020, the share was 33%.

The combined estimated total need for HomeHelpMN assistance in the state ranges from \$750 million to \$1 billion. This level of estimated statewide demand indicates significant demand for the \$109 million in available resources.

	Estimated # Homeowners Behind	Average \$ Needed	Total Est. Need
Reinstatement (mortgage principal and interest)	60,000	\$6,400	\$384,000,000
Loan Modification	5,000 to 20,000	\$15,000 -\$25,000	\$100,000,000 to \$400,000,000
Taxes and Insurance (with and without a mortgage)	68,000	\$3,400	\$231,200,000
HOA Fees, Lot Rents & Other	25,000	\$1,600	\$40,000,000
Total Need	70,000*	\$10,700 -\$14,300	\$750M to \$1B
*This is an unduplicated count. Some homeowners may receive all four types of assistance and others may receive fewer types of assistance based on specific need.			

We estimate that about 94% of the 70,000 households who are behind on their housing payments have incomes at or below 150% of the area median income – the maximum income allowed under the federal guidelines. To target assistance to Minnesota homeowners most in need and at greatest risk of default, foreclosure and displacement, Minnesota Housing proposes the following program design.

Direct homeowner assistance program with three types of assistance:

- Reinstatement assistance. Assistance may help cure delinquent eligible mortgage loan arrearages to help homeowners avoid foreclosure. Homeowner has adequate income to sustain the reinstated mortgage loan under the original terms of the loan.
- Modification assistance. Assistance may support a loan modification, which changes the terms of the homeowner's existing indebtedness, and may assist eligible homeowners in having better chance to remain in their homes if they have experienced a qualifying hardship. Homeowner must be able to have a sustainable mortgage payment with an appropriate debt level given the amount of assistance.
- Other homeownership assistance. Assistance supports homeowners at risk of delinquency, default and foreclosure with the payment of overdue taxes, insurance, HOA or similar association fees, manufactured home lot rents, overdue land contract payments, and eligible servicer or other lender or attorney fees.

A homeowner may need and be eligible for one or more of the types of assistance but is subject to a maximum total direct homeowner assistance amount of \$35,000.¹ Assistance is generally limited to one-time, per household. Households who experience a second Qualifying Financial Hardship may be eligible a second time provided the total maximum per household/property assistance does not exceed \$35,000.

Direct Homeowner Assistance	
	Up to Maximum Assistance²
Reinstatement (Pay Off Past Due Mortgage Principal and Interest)	\$35,000
Loan Modification	
Other Homeownership Assistance	
Taxes and Insurance Servicer late and other fees HOA and other fees Manufactured home lot rent Land contract	

Direct homeowner support from HUD-certified housing counseling agencies.

Minnesota has a strong network of high-quality HUD-certified housing counseling agencies with trained foreclosure prevention counselors. Funds may be used as part of the HomeHelpMN program to support and expand the capacity of this network to homeowners in three critical ways:

- Homeowners who need assistance applying for the HomeHelpMN program may be referred to a housing counseling agency. Counseling agency assistance may include, supporting a homeowner with the application process, gathering required supporting documentation, and reviewing program eligibility guidelines with homeowners.
- Homeowners ineligible for the HomeHelpMN program for any reason may be referred to a housing counselor for further support.

Support for housing counseling services will be designed to provide culturally appropriate programming with services offered in the most common languages other than English.

Income Eligibility

Federal HAF requirements provide that not less than 60% must be used for qualified expenses that assist homeowners having incomes equal to or less than 100% of the area median income (AMI). Federal guidance requires that any assistance provided to households above that

¹ Minnesota Housing intends to recommend to Treasury the ability to consider the development of a need-based, consistent exception policy to the maximum assistance for extenuating circumstances.

² See footnote above

income threshold “must be prioritized for assistance to socially disadvantaged individuals, with funds remaining after such prioritization being made available for other eligible homeowners.”

In order to both meet the federal income threshold and direct assistance to best help the most impacted homeowners, Minnesota’s HomeHelpMN program will use an initial income threshold of at or below 80% of AMI.

Federal HAF guidance defines Socially Disadvantaged Individuals as:

Socially disadvantaged individuals are those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities. The social disadvantage must stem from circumstances beyond their control. There is a rebuttable presumption that the following individuals are socially disadvantaged: Black Americans, Hispanic Americans, Native Americans, and Asian Americans and Pacific Islanders. In addition, an individual may be determined to be a socially disadvantaged individual in accordance with the procedures set forth at 13 CFR 124.103(c) or (d).

Minnesota Housing is considering the best way to accomplish the prioritization for Socially Disadvantaged Individuals as required by the federal government. This prioritization will include targeted outreach and communications strategies. It may also include mechanisms related to processing of applications and/or more active prioritization of income thresholds for Socially Disadvantaged Individuals.

Data from the Census Bureau’s Pulse Survey indicates that:³

- Homeowners with incomes below 80% of AMI account for about two-thirds of the households that are behind on their mortgage payments and that these households are twice as likely to be behind on their mortgage payment as those with incomes above 80% of AMI.⁴
- Black and Indigenous homeowners and homeowners of color are about three times as likely to be behind on their mortgages as white/non-Latinx homeowners. Most concerning is that Black homeowners are about six times more likely to be behind than white/non-Latinx homeowners.

According to data from the Census Bureau’s American Community Survey, Minnesota has the sixth highest homeownership rate (76.9%) in the country for white/non-Hispanic households and the 13th lowest rate (43.6%) for Black and Indigenous households and households of color, resulting in the fourth worst homeownership disparity gap nationally. The 25.3%

³ The Census Bureau’s Pulse Survey is a new and experimental survey with concerns about sample sizes, particularly for sub-populations. To effectively increase the sample sizes, we average the survey result for the five most recent survey, which are typically carried out every two weeks.

⁴ For this analysis, we used \$75,000 as a proxy for 80% of AMI. The statewide AMI in Minnesota is \$93,100.

homeownership rate for Black households is particularly concerning. If Minnesota is to avoid making these disparities significantly worse, the HomeHelpMN program must make a direct and concerted effort to reach and serve Black and Indigenous households and homeowners of color.

Program Activities Budget

Minnesota Housing proposes the budget outlined below.

	Budget
Reinstatement Assistance <ul style="list-style-type: none"> • Principal and Interest Modification Assistance Other Homeownership Assistance <ul style="list-style-type: none"> • Property Taxes and/or Insurance • Servicer late and other fees • HOA and/or other fees • Manufactured home lot rent • Land contract Subtotal Direct Homeowner Assistance	\$102,931,158
Counseling or educational efforts by HUD approved housing counseling agencies or legal services	Up to \$6,433,197
Total	\$109,364,356

Additional Program Requirements

Key additional program requirements include, but are not limited to, those outlined below.

Property eligibility: Must be owner-occupied, primary residence, 1-4 unit dwelling. Eligible homes include:

- Home must be owned by a natural person (Limited Liability Partnership, Limited Partnership, or Limited Liability Corporation does not qualify)
- Community land trusts
- Condominium units and townhomes
- Contract for deed
- Cooperative housing
- Manufactured homes permanently affixed to real property and taxed as real estate
- Mobile homes not permanently affixed to real property.

Financial hardship: Must have experienced a Qualified Financial Hardship after January 21, 2020. Defined as a material reduction of income or a material increase in living expenses associated with the coronavirus pandemic. The Qualified

Financial Hardship must have created or increased a risk of mortgage delinquency, mortgage default, foreclosure or displacement for a homeowner. Homeowner will be required to attest to the Qualified Financial Hardship.

Income verification: Follow Treasury guidelines.

Conforming Loan

Limits: Unpaid principal balance at the time of loan origination was not more than the conforming loan limit.

Subordinate liens: Subordinate mortgage lien payment (P&I) and/or principal reduction or payoff including a non-profit/government bond second lien for delinquent second liens. HELOCS and reverse mortgages are ineligible.

High-Level Program Delivery Concept

Given the overall anticipated high volume of inquiries and need, the HomeHelpMN program may use a centralized processing entity, and other vendors, to perform the following functions:

- Intake and navigation
- Housing counseling support
- Application processing
- Underwriting
- Eligibility determination
- Disbursements and payment processing
- Data reporting

Inclusive and Equitable Marketing and Outreach

Reaching Black, Indigenous and people of color and Socially Disadvantaged Individuals with the HomeHelpMN program is crucial to actively dismantle structures that perpetuate racial homeownership disparities in Minnesota.

We will use demographic data from the Census Bureau's American Community Survey and mortgage delinquency rates from Black Knight to identify a set of zip codes with: (1) higher delinquency rates, (2) a large number or share of homeowners who are Black, Indigenous or people of color and Socially Disadvantaged Individuals, and/or (3) a large number or share of lower-income homeowners. We will use these zip codes to guide our targeted marketing and outreach efforts. The U.S. Department of Treasury guidance requires the inclusion of data analysis about financial hardships of target homeowners and Socially Disadvantaged Individuals in the Plan.

We will target procurement of a marketing firm to create an outreach strategy with an equitable lens to reach Black, Indigenous and people of color and other individuals who meet the federal definition of Socially Disadvantaged Individuals who may be least likely to apply for

the program. Marketing efforts will prioritize outreach to socially disadvantaged individuals in accordance with U.S. Department of Treasury guidelines.

Housing counseling agencies will be central in the program design and delivery, including counseling agencies that are experienced in providing culturally specific programming and offer services in languages other than English.

Performance Goals and Reporting

Monitoring the performance and outcomes of the HomeHelpMN program is central to administering an accountable program. The HomeHelpMN evaluation anticipates creating real-time monitoring through the use of a dashboard in addition to a plan for program participant experience gathering. We will also submit more detailed performance goals in the Plan Minnesota Housing submits to Treasury, as required by Treasury guidelines.

We expect the dashboard to include performance data on the followings:

- Program operations – to include metrics related to the number of applications and where in the application process the application is, the average days from application start to payment, and the average assistance by program activity.
- Equitable outreach effectiveness – to include metrics on the application submissions by race and ethnicity, disability status and income level.
- Equitable approval – to include metrics on approval rates by race and ethnicity, disability status, income level, region and access channel (referred source)
- Equitable and timely processing – to include metrics on processing times for various stages and broken out by race and ethnicity, disability status, income level, region and access channel (referred source).
- Equitable payment – to include metrics broken out by race and ethnicity, disability status, income and region.

Minnesota Housing's goal with HomeHelpMN is to support homeowners most in need by creating equitable outcomes to help support homeowners facing delinquency, default, foreclosure and displacement, while managing the program with sound oversight.

Contacts

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Note: Minnesota Housing is still in the process of developing its program concept and plan to be submitted to the U.S. Department of Treasury. Until that plan is approved by the board of Minnesota Housing and the U.S. Department of Treasury, the numbers, estimates, and proposed processes in this program concept may change as we collect additional data and refine our analyses.